



**ARIZONA STATE RETIREMENT SYSTEM**  
**TAXABILITY OF ARIZONA STATE**  
**RETIREMENT SYSTEM PENSION BENEFITS**

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## Federal Income Taxes

When a member retires and starts receiving a monthly retirement pension, this pension is considered revenue and becomes reportable as “taxable” income. Members fall under one of three groups:

- **Members who retired before July 1, 1986.** These members were given up to three years to recover their taxed contributions before reporting their retirement pension as taxable income. All retired members in this group should be reporting their entire pension benefit as taxable income.
- **Members who retire on or after July 1, 1986, but made contributions before July 1, 1986.** These members are required to report a portion of their pension benefit as taxable income.
- **Members who began contributing to the ASRS on or after July 1, 1986.** These members are required to report their entire pension benefit as taxable income upon retirement.

The Arizona State Retirement System’s custodial bank sends retired members Form 1099-R every January which, reports the following information:

- The total amount of the member’s pension for the previous year.
- The amount of taxable income (for members retiring after July 1, 1986).

## State Income Taxes

In 1989, the Arizona Legislature passed a bill which mandates the taxation of retirees’ pensions for the year of 1989 and thereafter. Retirees living in Arizona are required to pay Arizona state income taxes on any taxable distribution from the ASRS over \$2,500 per year. Retirees living in other states are not required to pay Arizona state tax and the ASRS cannot withhold for any other state’s income tax liability.

### There are two ways members can withhold Arizona and/or federal income taxes:

- Members may file quarterly estimate forms (contact the IRS for the appropriate forms) and not have any federal or state tax withheld from their monthly pension, or
- Members may elect to claim a number of allowances and have an additional amount withheld from each pension check. Federal Form W-4P and Arizona Form A-4P are available on the ASRS website or through the ASRS office.

New retirees should return their withholding forms along with their retirement application. Retirees wishing to change their federal or state withholding status may do so at any time by completing and submitting a new Federal Form w-4P or Arizona Form A-4P to the ASRS office. Persons who fail to complete a withholding form will automatically have federal taxes withheld with a “married with three allowances” status. This rule is mandated by the Internal Revenue Service. State withholding will default to zero.

### Retirees may change their tax withholdings from the ASRS website. To do this:

- Go to [www.azasrs.gov](http://www.azasrs.gov) and click on the Login button.
- After logging in to your secure ASRS homepage, select the link to update tax withholdings. From this page, you can update your federal or Arizona tax withholdings.